

Carl Levin, Chairman

Norm Coleman, Ranking Minority Member

FOR IMMEDIATE RELEASE
APRIL 10, 2008

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**COLEMAN, LEVIN, EMANUEL, RAMSTAD FILE BILL
TO RECOVER MEDICAID PROVIDERS' UNPAID TAXES**

*Investigation found roughly 30,000 Medicaid healthcare providers
owe more than \$1 billion in unpaid federal taxes*

Washington, D.C. – In conjunction with a bipartisan Senate Subcommittee investigation last year, which found that roughly 30,000 Medicaid service providers owe more than \$1 billion in unpaid federal taxes, Senator Norm Coleman (R-MN), Ranking Member of the Permanent Subcommittee on Investigations, and Subcommittee Chairman Carl Levin (D-MI) today introduced the Medicaid Levy Enhancement Act in the Senate, while Congressmen Rahm Emanuel (D-IL) and Jim Ramstad (R-MN) introduced the companion bill in the House. This bill would allow the IRS to levy Medicaid payments made to tax-delinquent healthcare providers on a continuous basis. Right now, the IRS can use only a laborious process to place tax levies against individual Medicaid payments that expire after 30 days and can be circumvented by Medicare providers who deliberately send in their bills after the 30-day period has ended.

The 30,000 tax-delinquent Medicaid providers represent only about five percent of all Medicaid healthcare providers. According to an estimate by the Government Accountability Office, if the Medicaid payments made to healthcare providers in just seven states had been subject to continuous levies that retained 15% of each payment, the federal government would have collected about \$70 million in unpaid taxes in FY 2006 alone. If Medicaid payments nationwide were made subject to continuous levy, the federal government would conceivably collect twice the amount estimated by GAO, or about \$140 million per year.

“These providers are supposed to be serving the neediest in our communities, but instead a few bad apples are cheating American taxpayers out of millions of dollars in order to line their pockets,” said Coleman. “By authorizing the IRS to levy Medicaid payments on a continuous basis, our common-sense legislation will recover back-taxes owed by these tax deadbeats and keep their tax burden off of hardworking taxpayers.”

“The vast majority of physicians and companies who participate in Medicaid programs are true public servants who deserve our admiration. But a small portion of Medicaid healthcare providers are tax delinquents who are pocketing taxpayer dollars while dodging Uncle Sam on tax day,” said Levin. “Our bill would stop these tax-dodgers from taking advantage of honest taxpayers by making Medicaid payments to healthcare providers subject to tax levies that keep 15% of each payment to reduce delinquent tax debts.”

“This is simple common sense. The taxpayer should not have to pick up the slack for Medicaid providers and suppliers who refuse to pay their taxes,” said Emanuel. “Congress has a responsibility to ensure that this kind of abuse by a small number of Medicaid providers and suppliers ends. When dead-beat dads don’t pay their child support, we garnish his wages, refuse passports and prevent them from collecting unemployment. This bill will ensure these deadbeat taxpayers do not get away with fleecing the system.”

“It’s not fair when organizations that receive government payments dodge their tax obligations,” said Ramstad.

The federal tax levy program identifies taxpayers that are scheduled to receive payments from the federal government, while they simultaneously have outstanding, undisputed tax debts. After identifying taxpayers with outstanding tax debt, the tax levy generally withholds 15 percent of each scheduled payment and applies the withheld funds to reduce the taxpayer’s unpaid tax obligation. Under current law, continuous federal tax levies generally apply only to payments made by the federal government. Because Medicaid payments are made by the states and include a mix of federal and state funds, the IRS has determined that Medicaid payments are currently exempt from continuous tax levies, unless the law is changed.

The Medicaid Levy Enhancement Act would amend the law to make Medicaid payments subject to continuous federal tax levies. These continuous levies would initially be applied on a case-by-case basis to Medicaid payments using paper levies, until arrangements are worked out to apply the levies on an automated basis in the same way as they are now applied to federal payments. Designing an automated tax levy process for Medicaid payments is expected to require several years to complete.

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